

Message Text

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ACTION NEA-10

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C O N F I D E N T I A L DACCA 0398

E.O. 11652: GDS
TAGS: BDIS, EINV, BG
SUBJECT: DISCUSSION WITH GENERAL ZIA ON UNPAID U.S. CLAIMS
 AGAINST BANGLADESH

1. I USED A RELAXED SUNDAY AFTERNOON PRIVATE MEETING
WITH CHIEF MARTIAL LAW ADMINISTRATOR MAJOR GENERAL ZIA
TO GO OVER THE GROUND ONCE AGAIN ON UNSETTLED U.S.
CLAIMS AGAINST BANGLADESH. I TOLD ZIA THAT WHILE WE
VERY MUCH SHARE THE BANGLADESH GOVERNMENT'S DESIRE
TO PROMOTE FOREIGN, PARTICULARLY U.S., INVESTMENT AS
AN ESSENTIAL SUPPLEMENT TO GOVERNMENTAL ASSISTANCE,
WE WERE NOT REALLY ABLE TO PUSH U.S. PRIVATE INVESTMENT
IN THE FACE OF THESE UNSETTLED CLAIMS. I TOLD ZIA
THAT I HAD SPENT SOME DAYS IN NEW YORK IN OCTOBER,
DURING MY BRIEFINGS TALKING WITH POTENTIAL INVESTORS, AND
THAT THERE WAS A GENERAL AWARENESS THAT THINGS HERE
WERE BETTER AND SOME INITIAL INTEREST IN TAKING A
SERIOUS LOOK AT INVESTMENT OPPORTUNITIES HOWEVER,
LITTLE ACTION WAS LIKELY UNTIL BANGLADESH MET ITS
BOLIGATIONS TO FIRMS TAKEN OVER IN 1972, THEREBY
OPENING THE POSSIBILITY OF PARTICIPATION BY OPIC
AND OTHER ELEMENTS OF THE U.S. GOVERNMENT DESIGNED
TO PROMOTE AND ENCOURAGE U.S. INVESTMENT ABROAD.
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2. I NOTED THAT SOME PROGRESS HAD BEEN MADE IN
REACHING AGREEMENT ON BANGLADESH FABRICS, FORMERLY
OWNED BY BELBAGCO; AND ON ONE OF THE TWO OUTSTANDING
COOLEY LOANS (THE INTERCONTINENTAL HOTEL), BUT
THAT UNFORTUNATELY NO ACTUAL PAYMENTS HAD YET BEEN
MADE. MOREOVER, THERE ARE TWO SPECIFIC PROBLEMS

AREAS ON WHICH NO PROGRESS AT ALL HAS BEEN MADE. THESE CONCERN INSURANCE COMPANIES FOR WHICH THERE IS NOT EVEN A PROCEDURE UNDER WHICH THEY CAN FILE CLAIMS AND THE COOLEY LOAN TO THE FORMER PAKISTAN FABRIC COMPANY, OWNED BY THE BELTON BAGGING COMPANY OF SOUTH CAROLINA, WHICH WAS TAKEN OVER AND CONVERTED INTO BANGLADESH FABRICS. IN THIS LATTER CASE, THE OUTSTANDING AMOUNT IS THE TAKA EQUIVALENT OF ABOUT \$300,000. I GAVE ZIA TWO PAPERS DESCRIBING THESE PROBLEMS IN DETAIL AND TOLD HIM THAT IN ADDITION TO CLEANING THE SLATE OF ALL THESE CLAIMS, I HOPED WE COULD ALSO HAVE QUICK PAYMENT OF THE 800,000 TAKA, FOR WHICH THE BDG HAS ACCEPTED RESPONSIBILITY, FOR DAMAGES TO OUR USIS CENTERS IN 1972-73.

3. ZIA REAFFIRMED, AS HE HAD TO MY PREDECESSOR LAST JUNE, THAT BANGLADESH WILL MEET ITS INTERNATIONAL OBLIGATIONS AND WILL SETTLE ALL OUTSTANDING CLAIMS. HE ASKED, HOWEVER, FOR OUR CONTINUED UNDERSTANDING WITH THE COMMERCIAL CLAIMS WHILE THE BDG SORTS OUT THE COMPLEX LEGAL ISSUES INVOLVED OVER DISTRIBUTION OF PAKISTANI ASSETS AND ALSO THE PROBLEM OF PRECEDENT. HE SAW NO PROBLEM IN MOVING QUICKLY ON THE USIS CLAIM.

4. WE ARE SLOWLY MAKING PROGRESS ON THESE CLAIMS. I CONTINUE TO BELIEVE THAT THE BDG WILL NOT ALLOW THEM SERIOUSLY TO ENDANGER ITS RELATIONS WITH US, BUT BRINGING AT LEAST SOME OF THEM TO FINAL SOLUTION WILL REQUIRE ADDITIONAL HIGH LEVEL CONFIDENTIAL

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INTERVENTION. FOR THE MOMENT, WE WILL FOLLOW-UP AT LOWER LEVELS TO SEE THE EFFECT OF OUR LATEST APPROACH TO ZIA. MASTERS

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